

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0993-01
Bill No.: Perfected SB 161
Subject: Agriculture and Animals; Agriculture Dept; Banks and Financial Institutions;
Business and Commerce;
Type: Original
Date: March 9, 2011

Bill Summary: This proposal allows the Missouri Agricultural and Small Business Development Authority to provide loan guarantees for loans to agribusinesses.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|---|-------------------------|-------------------------|-------------------------|
| FUND AFFECTED | FY 2012 | FY 2013 | FY 2014 |
| General Revenue | \$0 to (Unknown) | \$0 to (Unknown) | \$0 to (Unknown) |
| | | | |
| Total Estimated Net Effect on General Revenue Fund | \$0 to (Unknown) | \$0 to (Unknown) | \$0 to (Unknown) |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2012 | FY 2013 | FY 2014 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 | \$0 | \$0 |

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2012 | FY 2013 | FY 2014 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|--|----------|----------|----------|
| FUND AFFECTED | FY 2012 | FY 2013 | FY 2014 |
| | | | |
| | | | |
| Total Estimated Net Effect on FTE | 0 | 0 | 0 |

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|-------------------------------------|------------|------------|------------|
| FUND AFFECTED | FY 2012 | FY 2013 | FY 2014 |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Agriculture (AGR)** state this proposed legislation would expand the Missouri Value Added Loan Guarantee to include loans made to agribusinesses and agriculture support businesses, such as feed and supply stores, veterinary clinics, equipment dealers, etc.

AGR states, the State Treasurer's Office offers a linked deposit for this type of loan, but this proposal requires that the borrower obtain a Missouri Agricultural and Small Business Development Authority (MASBDA) Missouri Value-Added Loan Guarantee in order to qualify for the linked deposit.

AGR states, MASBDA loan guarantees have historically had a low default rate. General Revenue will only be affected in the event of a default on a guaranteed loan. Program Personal Services and Expense and Equipment are funded from fees.

AGR states, the Value-Added Loan Guarantee Program was established in 1997 by HB 557. In the 14 years since there have been a total of 4 loan defaults that required loan guarantee payments. One of those defaults was later collected in full. The loan guarantee default payment amounts and payment dates are itemized below:

| | | |
|--------------------------|---|----------|
| (\$35,325) | loan guarantee paid on 2/24/2004 | VA #63 |
| (\$7,115) | loan guarantee paid on 4/14/2010 | VA #1002 |
| (\$23,284) | loan guarantee paid on 11/18/2010 | VA #742 |
| <u>(\$19,899)</u> | loan guarantee paid on 1/14/2011 | VA #1173 |
| <u>(\$85,623)</u> | Total Value-Added Loan default payments | |
| | | |
| <u>\$35,325</u> | Amount collected on 2/24/2004 loan default | |
| | | |
| <u>(\$50,298)</u> | Net total default payments from GR over the life of the program | |

AGR states, it should be noted that the default rate on the program is less than two-tenths of one percent

ASSUMPTION (Continued)

Oversight assumes this proposal allows MASBDA to make qualified loan guarantees to qualified agribusinesses backed by the State of Missouri. Oversight is showing a fiscal impact of \$0 to general revenue if no agribusiness default on their loans to an unknown impact based on the number agribusinesses who default on a loan.

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Officials at the **University of Missouri, Department of Natural Resources, Office of State Treasurer** and **Department of Economic Development** assume the proposal would have no fiscal impact on their agencies.

| <u>FISCAL IMPACT - State Government</u> | FY 2012 (10 Mo.) | FY 2013 | FY 2014 |
|--|---|---|---|
| GENERAL REVENUE | | | |
| <u>Costs - AGR</u> | | | |
| Default on guaranteed loans | <u>\$0 to</u> <u>(Unknown)</u> | <u>\$0 to</u> <u>(Unknown)</u> | <u>\$0 to</u> <u>(Unknown)</u> |
| ESTIMATED NET EFFECT ON GENERAL REVENUE | <u>\$0 to</u> <u>(Unknown)</u> | <u>\$0 to</u> <u>(Unknown)</u> | <u>\$0 to</u> <u>(Unknown)</u> |
| <u>FISCAL IMPACT - Local Government</u> | FY 2012 (10 Mo.) | FY 2013 | FY 2014 |
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

FISCAL IMPACT - Small Business

The proposal could expand lending to small business agribusinesses.

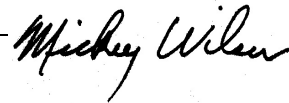
FISCAL DESCRIPTION

Currently, the Missouri Agricultural and Small Business Development Authority may provide loan guarantees on loans for the purchase or improvement of agricultural property. This proposal allows the loan guarantees to also be provided on loans for the purchase, expansion, or improvement of an agribusiness.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Agriculture
Office of Secretary of State
Department of Natural Resources
University of Missouri
Department of Economic Development
State Treasurer's Office



Mickey Wilson, CPA
Director
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